



DEPARTMENT OF THE AIR FORCE  
HEADQUARTERS UNITED STATES AIR FORCE  
WASHINGTON 25, D. C.

COR-0162  
COPY 1 OF 7

#184

REPLY TO:

Auditor General  
Comptroller, USAF  
Hq Western District  
1206 Maple Avenue (Room 916)  
Los Angeles 15, California

4 August 1958

SUBJECT: Report on System Survey  
General Electric Company  
Missile and Ordnance Systems Department  
Philadelphia, Pennsylvania

TO: Contracting Officer

1. A survey was made of the subcontractor's accounting records, methods, and procedures for the purpose of determining their adequacy for the determination of costs under the subcontract with the prime contractor.

2. Our survey was confined to a review of the system survey conducted by the Air Force Auditor General during the period July 1956 to September 1956, with a follow-up in July 1957. This survey was conducted by the Auditor General Philadelphia Branch Office. However, effective in January 1958, a resident auditor was assigned to the subcontractor's plant. At the present time, the subcontractor's accounting system is subject to continuous appraisal by the resident auditor.

3. Results of Examination: Based on the aforementioned survey and discussion with the Air Force resident auditor, it is our opinion that the records, methods, and procedures are generally adequate and reliable for the development of satisfactory costs under the subcontract. The procedures followed by Missile and Ordnance Systems Department are company-wide and generally consistent with other departments of General Electric Company.

4. Recommendations:

a. If the subcontractor experiences hardship operating under the standard subcontracts approval clause, which it is assumed will be incorporated in the subcontract at the time it is definitized, then appropriate approval of the purchasing system should be obtained from the Contracting Officer. We were informed that the Air Force Contracting Officer has approved the purchasing system and subcontracts under Air Force prime contracts require approval only as follows:

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#184, Rept on Sys Survey, Gen Elec Co., Missile and Ordnance Sys Dept,  
Philadelphia, Pa., 4 Aug 58 - (cont'd)

- (1) Fixed-price orders over \$75,000 for competitive procurements.
- (2) Fixed-price orders over \$5,000 for sole-source procurements.
- (3) All cost type, time and materials, labor-hour and price-redeterminable orders.
- (4) Inter-departmental purchases (not considered subcontracts):
  - (a) Fixed-price purchases over \$1,000.
  - (b) Purchases at cost over \$2,000.
  - (c) All CPFF, time and materials, labor-hour and price-redeterminable purchases.

b. It is recommended that the subcontractor be required to conform to the Air Force approval requirements for inter-departmental purchases, stated in paragraph 4a(4) above, made under this project, even though such requirements are not covered in the standard ASPR subcontracts clause.

5. Discussion of Survey Findings: The results of the survey were discussed with the following individuals on 24 July 1958, prior to departure from the subcontractor's plant:

STAT  
STAT  
 Systems Planning Engineer  
 Project Engineer  
Manager, Contract Accounting Administration

6. It is suggested that a copy of this report be furnished to the subcontractor and the prime contractor for their information.

STAT  
  
Project Supervisor  
Western District  
Auditor General